United States
...ent of Agriculture
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Foreign Agriculture

May 1982

The Billion-Dollar Buyers

Trade Updates

Foreign Exchange Value of U.S. Dollar Increases Dramatically

The United States' comparatively high interest rates have led to a sharp rise in the value of the dollar relative to the five currencies most important to U.S. agricultural trade. What is even more impressive, this appreciation has occurred despite massive foreign exchange intervention on the part of the central banks of both West Germany and Japan.

The market in foreign exchange has been disturbed since mid-December by the fact that U.S. short-term interest rates have not fallen as predicted. Indeed, the reverse seems to be the case. The threat of a very large U.S. budget deficit, expected to enlarge later in the year, is being interpreted as a sign that credit will be even more scarce.

Other factors are also prompting a rise in the value of the dollar abroad. The increase in the U.S. money supply (M1) at a 17-percent annual rate from mid-November through January also is viewed as "favorable" for the dollar. Because of the growth in the money supply, one of two things is likely: the Federal Reserve Bank will soon have to change course sharply, making credit even more dear; or inflationary expectations will become evident, causing lenders to add a "premium" to their rates. Either would predicate a rise in U.S. interest rates.

Last, the continued drop in U.S. inflation implies an improving real rate of return on dollar deposits. Thus, even constant interest rates would add fuel to the fire that heats the use of U.S. dollars as a speculative investment.

On the "other" side of the market, the interest rates payable on deposits of other currencies, most prominently the German mark and Japanese yen, have been falling. Neither of the Central Banks involved wants to change this pattern, fearing a rise in interest rates will presage a slowdown in economic activity. As a result, both have attempted to support their respective currencies, selling as much as $200 million in the foreign exchange market in one day. The fact that this has had no apparent effect on the market serves to indicate that the psychological "favor" now accorded the dollar shows no signs of abatement.

Foreign Currency Units Per U.S. Dollar

Period	German	Japanese	British	Dutch	Canadian
Average 1978	2.009	210.5	.5214	2.164	1.141
Average 1979	1.833	219.2	.4713	2.006	1.171
Average 1980	1.818	226.4	.4299	1.987	1.169
1981:					
January	2.010	202.3	.4160	2.183	1.191
February	2.137	205.6	.4358	2.329	1.198
March	2.104	208.6	.4480	2.326	1.191
April	2.163	214.0	.4594	2.400	1.191
May	2.290	220.5	.4782	2.546	1.201
June	2.378	224.2	.5073	2.642	1.204
July	2.429	232.3	.5333	2.711	1.211
August	2.499	233.2	.5486	2.777	1.223
September	2.349	229.2	.5503	2.604	1.201
October	2.252	231.4	.5426	2.479	1.202
November	2.229	223.5	.5363	2.443	1.188
December	2.256	218.7	.5249	2.470	1.185
Average 1981	2.258	220.3	.4984	2.492	1.199
1982:					
January	2.293	224.7	.5300	2.513	1.192
February 1-10	2.356	234.3	.5378	2.582	1.208

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Features

Departments

Japan Remains Top U.S. Farm Customer

By William L. Davis

Japan continued as the United States' largest single market for farm products in fiscal year 1981, accounting for more than 15 percent of the $43.8-billion export total. In all, U.S. sales to Japan were $6.7 billion, up almost 17 percent from the previous year. The volume of sales was about 25 million metric tons in both fiscal years 1981 and 1980.

Little, if any, change in the overall volume of U.S. agricultural exports to Japan is expected in fiscal year 1982. However, value is projected to decline slightly—perhaps to around $6.0 billion—because commodity prices are expected to be lower.

Economic situation. Japanese government forecasters are projecting a real growth rate of 5.2 percent in Japan's gross national product (GNP) during 1982. If achieved, this would be an improvement over economic growth last year, but would still trail the 1980 rate. Major economic goals in 1982 include a reduction in soaring budget deficits and an easing of the trade frictions with the United States and other countries over massive Japanese trade surpluses.

Agricultural production. Japanese farmers suffered through a second consecutive poor growing season in 1981 and continued to be buffeted by rising prices for farm inputs.

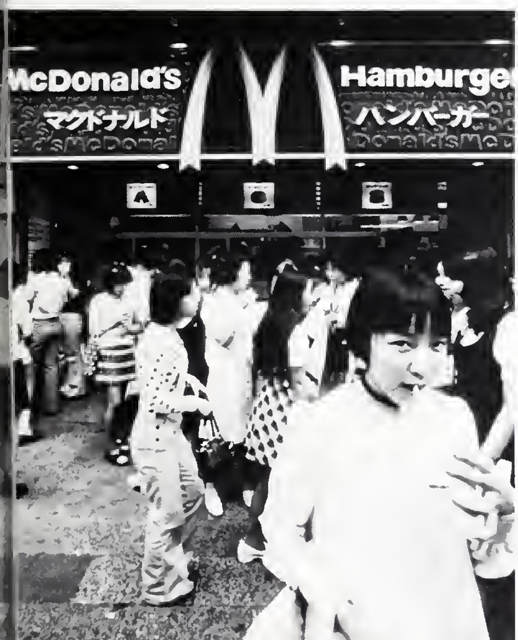
The 1981 rice crop, estimated at 10.3 million tons, was the second successive small crop, although it was not nearly as bad as the 1980 harvest which was the worst in 26 years. A diversion program, under which rice farmers receive cash payments to switch land out of rice production, was continued in 1981, and an estimated 22 percent of the available riceland was diverted. The program is expected to continue in 1982 and beyond, despite its extremely high cost.

Japanese wheat production was also affected by bad weather. Production is estimated at 587,000 tons, almost the same as in 1980, despite a 17-percent increase in harvested area.

The outlook remains bleak for Japan's mixed feed industry, which accounts for about 75 percent of Japanese coarse grain demand. Feed production declined 2.6 percent in 1980/81 (July-June) and no recovery is likely in 1981/82, because an increase in the demand for swine feeds is expected to be offset by a decline in demand for broiler feeds.

Broiler prices have been low and the large integrated producers, who contract out broiler production, are suffering because wholesale prices are below their contract prices. Several firms have reportedly gone bankrupt and others are cutting back production. Egg prices are now high, but only a slight increase is expected in the demand for layer feed because of efforts to curtail production.

Agricultural trade. Japan's agricultural imports tend to be bulk commodities.



U.S. Exports to Japan: Top Ten and Total

(In million dollars[1])

Commodity	1980	1981
Corn	1,441	1,982
Soybeans	996	1,181
Wheat & flour	575	635
Cotton[2]	544	483
Grain sorghum	495	414
Hides & skins	243	279
Tobacco	206	237
Beef & veal	139	149
Fresh citrus	143	173
Sugar & trop. prod.	132	127
All exports	**5,749**	**6,706**

[1]Unadjusted for transshipments [2]Including linters and raw silk

Corn, soybeans, wheat, cotton, sorghum, hides and tobacco accounted for over 70 percent of the value of U.S. farm exports to Japan in fiscal year 1981.

Japanese demand for many commodities has been slowing because of reduced growth in real consumer incomes. But imports of poultry and other consumer-ready goods have been increasing as a result of a favorable exchange rate, quota increases and tariff cuts negotiated during the Tokyo Round of the General Agreement on Tariffs and Trade (GATT).

In the feed grain sector, corn imports from the United States are expected to slip somewhat because of the unfavorable outlook for the mixed feed industry and competition from South Africa. Sorghum imports, the bulk of which now come from the United States, are expected to grow around 25 percent based on current corn/sorghum price ratios.

Wheat imports for food use are projected to decline around 3 percent reflecting higher carry-in stocks.

About 95 percent of Japan's soybean imports come from the United States. In 1982, they will probably remain near the 4.1 million tons imported in 1981, primarily because of lagging demand for meal and continued competition from Canadian rapeseed.

Cotton imports should show only marginal growth in 1981/82 (August-July), but the U.S. share may increase to around 40 percent of the total, up from 36.7 percent last year.

Nearly 65 percent of Japanese tobacco imports were expected to come from the United States in 1981. These imports are not projected to change much this year.

Agricultural policies. The security of domestic and imported food supplies remains a central concern of Japanese agricultural policy-makers.

Japan currently imports about 45 percent of its food (based on calories) and the United States supplies one-third to two-fifths of these food imports.

Japan's domestic agricultural programs have fostered costly and inefficient production. However, budgetary constraints are now forcing a review of domestic programs and efforts are being made to develop a domestic consensus for change.

Trade access is a difficult issue for the Japanese government. Government policy-makers are going to have to ask producers to make some sacrifices in domestic programs—such as limited increases in support prices. Continued resistance to food imports would be a convenient way to mollify these producers. So officials are likely to continue to take a hard line on import quotas. ■

The author is the U.S. Agricultural Counselor, Tokyo.

Sales to Netherlands, No. 2 Market, Weaken Slightly

By Clancy V. Jean

The Netherlands remains near the top of the list of leading U.S. farm markets, ranking No. 2 behind Japan. U.S. agricultural exports to the Netherlands totaled $3.17 billion in fiscal 1981. But a stagnating Dutch economy and a strong U.S. dollar resulted in an 8-percent drop in sales compared to the year before. Nonetheless, the United States was again the largest single supplier of farm products to the Netherlands.

Generally, the Netherlands is a good and stable market for a great variety of U.S. agricultural products. With the prospects favorable for Dutch foreign trade in 1982, a recovery in purchases of many U.S. products is anticipated.

A small country, the Netherlands is a huge importer of raw products, with the focal point being the large port complex at Rotterdam. These imports are processed and then exported to earn foreign exchange.

One of the few bright spots in the Dutch economy last year was the performance of the agricultural sector, especially farm exports. These were expected to end the year at $15.4 billion, leaving the Dutch with a favorable balance of $5.2 billion in agricultural trade.

Economic situation. Prospects for the Dutch economy for 1982 continue to be rather gloomy, although some improvement from last year is seen. In fact, the Dutch predict a 1-percent growth in real national income, mainly from increased exports. Domestic demand, however, remains sluggish.

The rate of inflation this year is expected to stabilize at between 5 and 5.5 percent, but the unemployment rate is likely to reach a postwar record of around 12 percent.

Considering the country's rather extensive social programs, it seems inevitable that high unemployment will lead to a large drain on the nation's treasury. Some cutbacks are likely, except in programs targeted to stimulate industrial production.

Thus far, the Dutch government has succeeded in convincing labor unions to temper their wage demands without major labor unrest. This has already led to quite an improvement in the country's competitive position, resulting in more exports. This trend is expected to continue this year—and may even lead to a gradual rise in Dutch imports, eventually benefiting U.S. farmers and exporters.

U.S. Exports to the Netherlands: Top Ten and Total

(In million dollars[1])

Commodity	1980	1981
Soybeans	1,541	1,239
Other feeds & fodder	576	454
Soybean cake & & meal	329	373
Feed grains	280	262
Other oilseeds	171	172
Wheat & flour	115	117
Vegetable oils[2]	44	76
Tobacco	92	72
Tallow & greases	42	53
Livestock & meat prod.[3]	55	48
All exports	**3,440**	**3,171**

[1]Unadjusted for transshipments. [2]Includes soybean and cottonseed oil and other vegetable oils, waxes and products. [3]Excludes lard, tallow and greases and hides and skins.

Agricultural situation. Despite the gloomy economic situation in 1981, Dutch agriculture fared relatively well. Preliminary estimates for 1981 show that agricultural output rose, as did prices received by farmers. However, as in nearly every country, production costs also rose last year.

One of the main factors in the success of the agricultural sector is the bustling Dutch export trade which managed to expand the value of export sales in 1981 by well over 20 percent. This reflected a nearly 90-percent increase in volume and a 12-percent advance in prices. The leading export earners were livestock products (up 25 percent in value) and milk and dairy products (up 34 percent).

The European Community (EC) remained the largest export market for Dutch farm products by taking about 72 percent of all shipments. But exports to other markets accelerated in 1981, rising nearly 40 percent.

Farm trade. Soybeans and products are the most important commodities bought from the United States, accounting for well over half of all farm imports. The market share of U.S. soybeans in the Netherlands was close to 91 percent in 1981, versus 83.3 percent in 1980. However, export demand for Dutch-produced soybean products slackened in 1981, cutting the overall import demand for soybeans.

Although Dutch purchases of U.S. wheat are rather stable from year to year, these imports advanced slightly in 1981. Meanwhile, Dutch imports of U.S. feed grains slackened last year mainly because of large feed grain supplies in nearby countries. This lowered demand for Dutch processed feedstuffs. Still, the U.S. share of the smaller Dutch corn market in 1981 grew moderately.

Apart from soybeans, U.S. exports of other feeds and fodder (mainly corn gluten feed, citrus pulp, etc.) declined in 1981. The drop stemmed from greater use of cheaper substitutes like manioc and oilseed meals in compounded animal feed.

Agricultural policies. The Netherlands was one of the founding members of the EC, and the Community's Common Agricultural Policy (CAP) has a direct impact on Dutch agriculture. Financial problems—caused mainly by mounting surplus production—are plaguing the EC, making adjustments in the CAP necessary. (See *Foreign Agriculture*, March 1982.)

Historically a trading nation, the Netherlands basically advocates free trade and the flow of farm products is essential for Dutch agribusiness. On the other hand, the Dutch are also dependent on agricultural export earnings, which ties their country closely to EC export-subsidy policies.

The United States and other nations have attacked EC export subsidies as an impediment to free trade in agriculture. This poses a policy dilemma for the Dutch. And their options look like a choice between the devil and the deep blue sea. ■

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Country Briefs

European Community

Non-Grain Feed Ingredients Replacing Grain

Preliminary indications suggest that during 1981/82, overall use of non-grain feed ingredients (NGFI) in the European Community (EC) could increase substantially if restrictive measures are not taken. At the same time, the utilization of grains in feed rations is expected to rise only slightly to 70.5 metric million tons in 1981/82 against 70.2 million a year earlier. These developments are likely the result of the EC's policy of continued increases in target and threshold prices for grains (without due regard to world market conditions), while levies on imported NGFI remain low.

In recent years, the EC has obtained over 50 percent of its NGFI imports from the United States. Also noteworthy is the fact that in 1980/81, the EC took 80 percent of U.S. exports of NGFI, and 90 percent of U.S. corn gluten feed exports. Therefore, any noticeable increase in EC use of NGFI could well lead to additional export opportunities for U.S. traders.

Nigeria

U.S. Exporters Face Stiffening Competition From Thai Rice

U.S. domination of rice sales to Nigeria came to an end last December when the Nigerians purchased around 30,000-40,000 tons of 5 percent parboiled rice from Thailand. The U.S. Agricultural Counselor in Lagos reports that Thai parboiled 5 percent has recently been offered at $480 per metric ton C&F Lagos, presumably inclusive of all costs.

Peru

Increased Corn Purchases From U.S. Likely

The government supply agency, ENCI, has announced it will import 450,000 metric tons of corn or sorghum in 1982. This amount, which is nearly 30 percent above 1981 imports, will likely consist solely of U.S. corn since the United States is the traditional supplier. (Sorghum imports have generally been very small and infrequent.) Corn imports will be up because domestic production has not kept pace with utilization requirements, apparently because of unattractive producer support prices.

Sweden

Increased Imports of U.S. Rice Likely

1982 promises to be a good year for U.S. rice sales to Sweden. One of Sweden's three major food retailers and distributors, KF (the Swedish Cooperative Union and Wholesale Society) has now decided to replace its short-grain rice purchases—previously from Italy, Spain or China—with U.S. medium-grain. This company covers approximately one-fourth of the Swedish rice market. KF's imports of medium-grain rice are expected to total around 1,500 metric tons. Other major importers also may substitute medium-grain U.S. rice for part of their short-grain rice supplies.

In addition, the National Agricultural Market Board has decided to replace its preparedness stocks of 1,100 tons with U.S. medium-grain rice starting in April of this year. Availability in the United States, quality and price have been the determining factors.

Rice is not grown in Sweden and, accordingly, imports approximate actual consumption. From 1976 to 1980, imports rose about 10 percent to nearly 24,000 tons. The United States increased its market share from 41 percent in 1976 to 59 percent in 1980. The United States has long been the principal supplier of long-grain rice to Sweden. U.S. No. 1 parboiled and U.S. No. 2 medium- and long-grain rice are preferred by Swedish buyers.

The past decade has seen a marked increase in rice consumption in Sweden, a trend which is still continuing as the Swedes are becoming aware of the versatility of rice and its dependable quality versus potatoes, a more traditional Swedish food. In 1970 consumption of rice was 1.4 kilograms (kg) per capita; it is now 2.3 kg. During the same period, potato consumption decreased by 3.7 kg. per capita.

Switzerland

Poor Wine Crop Opens Opportunities for U.S. Traders

The Swiss wine industry is again reporting a poor wine crop, by volume, for the 1981/82 marketing year. Switzerland's ending stocks of wine in mid-1981 were reduced 19.1 percent, compared with a year earlier, and by 25.9 percent compared with the average in the seventies.

As was the case last year, Switzerland's domestic white wine supply falls far short of covering demand. In 1980/81, this situation caused prices to increase 7 to 11.7 percent for domestic white wines. The Swiss white wine market is likely to react in a similar way in 1982.

More important for the U.S. wine industry is the fact that the Swiss government has released extra import quotas for white wine. The quotas amount to 250,000 hectoliters—effective January 1—and are to be filled with imports of bottles or barrels, importer's choice. The annual basic import quota of 35,000 hectoliters, delivered in bottles only, remains unchanged.

Swiss per capita consumption of wine has grown continuously since 1977/78, increasing over 6 percent in 1980/81. In the same period, yearly consumption of red wines was up nearly 2 percent, while white wine consumption rose an average of 2.3 percent. With traditional wine suppliers reporting unsatisfactory wine yields, trade opportunities for U.S. exporters have improved. This is particularly true under the new licensing system for Swiss imports. For more information on Swiss licensing, contact Richard B. Schroeter, Deputy Director for Marketing, Horticultural and Tropical Products Division, FAS (202) 382-8894.

Venezuela

Sugar Imports Grow

Venezuela is turning into a major importer of sugar, as recent increases in domestic consumption of 6 percent a year have outstripped production. During 1981 Venezuela purchased 400,000 metric tons of Brazilian sugar under a trade agreement that involves swapping Venezuelan oil for agricultural imports. This sugar is to be delivered during the 1981/82 and 1982/83 seasons. Venezuela also has a similar agreement with the Dominican Republic.

The soft drink sector is Venezuela's biggest industrial user of sugar, taking more than half of the amount used by industry. Soft drink use in this tropical country is substantial.

West Germany

Rising Dollar Hurts U.S. Position in Poultry Market

West Germany's imports of all poultry meats declined slightly to about 268,000 metric tons in fiscal year 1981, but U.S. shipments to the German market fell sharply by 27 percent to roughly 9,000 tons. The sharp reduction was almost entirely due to the increased value of the U.S. dollar, which worsened the competitive position of U.S. suppliers.

The notable gainer in the German poultry market last year was France, whose shipments amounted to over 25,000 tons, an increase of about 22 percent. All of the gain was due to larger shipments of whole turkey, which resulted from greater turkey production in France as well as the "import embargo" established by Great Britain based on their Newcastle decision. Apparently, many of the whole turkeys originally destined to be marketed in Great Britain were actually sold in Germany.

Yugoslavia

Corn Imports From U.S. Possible

In spite of a good country-wide crop in 1981, individual Yugoslav republics could be in the market for U.S. corn during 1981/82. Private farmers have been reluctant to sell corn at current prices and large specialized farms are short of corn for poultry and livestock. Over the past 2 years, individual republics have been given additional autonomy in making import decisions. Therefore, some republics, such as Serbia, could begin to import corn to fill local shortages.

Farm Exports to Mexico Advance Sharply

By David I. Rosenbloom

Despite major increases in its domestic production in fiscal year 1981, Mexico still imported record levels of agricultural commodities from the United States. The value of U.S. farm exports advanced 37 percent to $2.72 billion as Mexico relied on imports to cover its domestic requirements and build grain reserves to more acceptable levels. Consequently, Mexico remained the United States' third largest overseas market for agricultural products.

Some slippage is expected in U.S. sales during fiscal year 1982—perhaps to around $2.1 billion. Encouraged by a second year of good crops, Mexico is planning an import cutback to demonstrate the success of the Lopez Portillo administration's efforts to achieve food self-sufficiency.

Economic situation. Mexico's economic boom, based on its oil wealth, continued during 1981.

While the rapid growth helped create new job opportunities and boost incomes, it also heightened the inflationary pressures in the Mexican economy. In addition, the heavy pace of government spending and imports seriously widened the deficits in Mexico's balance of payments and public sector budget.

As a consequence, the government reoriented its economic strategy in the latter part of the fiscal year to stress semistabilization rather than accelerated growth. Curbs on public spending, reductions in import growth and a tighter monetary policy helped hold economic growth in the last quarter of fiscal 1981 to 6.5 percent. Still, for the year, real growth in Mexico's economic output totaled approximately 7.25 percent.

Although the government has not completely spelled out its economic goals for 1982, the expected continuation of current economic policy points to a slower growth rate of around 6 percent.

Agricultural production. Mexico's grain complex is based upon corn, which usually accounts for 70 percent of the harvested grain area and close to 60 percent of total grain production.

U.S. Exports to Mexico: Top Ten and Total

(In million dollars[1])

Commodity	1980	1981
Corn	526	608
Grain sorghum	305	396
Soybeans	227	271
Pulses	81	266
Sugar & trop. prod.	70	231
Wheat & flour	158	227
Other oilseeds	97	95
Hides & skins	74	83
Dairy products[2]	35	86
Soybean cake & meal	42	46
All exports	**1,989**	**2,723**

[1]Unadjusted for transshipments. [2]Excluding nonfat dry milk.

The country's corn outturn during fiscal year 1981 was estimated by USDA at a record 11.4 metric million tons, 1.0 million tons above 1980 and 2.2 million tons larger than the drought- and frost-reduced crop of 2 years earlier.

Corn production benefited both from excellent growing conditions, which resulted in a record yield of 1.3 tons per hectare, and additional acreage. Harvests of wheat and rice also were up significantly from the year before.

Production of soybeans, in recent years Mexico's dominant oilseed, reached 600,000 tons in 1981, more than double the total for 1980. The soybean crop would have been even larger had it not been for hurricane damage to the crop in Sinaloa and southern Sonora during the harvest period.

Farm trade. U.S. agricultural exports to Mexico have risen sharply in recent years. Exports were valued at about $735 million in fiscal year 1978, approached $1 billion in 1979, neared $2 billion in 1980, and climbed to a record $2.7 billion in fiscal 1981.

Corn and grain sorghum continue to be the most important U.S. export items in both tonnage and value terms. Wheat and oilseeds, particularly soybeans, also have registered sizable gains.

The export category showing the biggest gain over fiscal year 1980 was pulses, which rose from $81 million to $266 million. In addition, a significant drop in Mexican production led to a dramatic increase in purchases of U.S. refined sugar. These were valued at $209 million in fiscal year 1981, up from only $48 million a year earlier.

Agricultural policies. Agricultural policy during 1981 was focused on implementing the newly established food program, known as SAM (Sistema Alimentario Mexicano). SAM's objectives stress the attainment of self-sufficiency in corn and beans by 1982 and in other basic foods by 1985.

President Lopez Portillo proclaimed 1981 "The Agricultural Year" and accompanied this gesture with a significant increase in government spending for agriculture. Budget outlays for agriculture in 1981 rose by more than half to a total of roughly $7.8 billion.

Among other things, this greater public spending allowed significant increases in prices guaranteed to growers, an expansion in crop insurance coverage, and an increase in fertilizer distribution to farmers at discounted prices. It also provided larger production of improved seeds and greater technical assistance to growers.

Federal budget expenditures for agriculture in 1982 are programmed at about $10.9 billion.

A new agricultural development law also was enacted last fiscal year which provided a new approach to agrarian reform.

The new law penalizes owners of idle land, encourages the production of crops on grazing land without the threat of expropriation, and seeks to prevent breakup of land into parcels of less than 5 hectares. This law is expected to go a long way toward reshaping the face of Mexican agriculture. ■

The author is the Assistant Agricultural Attache, Mexico City.

Korean Purchases Swell Almost One-Third

By James K. Freckmann

Exports of U.S. agricultural products to South Korea have continued their strong growth of recent years. They jumped to $2.14 billion in fiscal year 1981, rising 32 percent above the 1980 level. This gave Korea the second highest growth rate among the billion-dollar customers for U.S. farm products. Last year, Korea was the fourth largest U.S. farm market.

Very large imports of U.S. rice, necessitated by a poor Korean rice harvest in 1980 and higher export prices, were the major factors behind the strong U.S. showing in 1981. In the past, U.S. export gains usually reflected strong demand rising from a buoyant Korean economy.

Although U.S. farm exports to Korea may increase this fiscal year, the value of these shipments will probably grow little, if any, over the 1981 level. Much lower prices for U.S. commodities and smaller Korean rice imports are the primary reasons for this outlook. However, the $590 million available in GSM-102 guaranteed credits will help maintain the U.S. position as an important supplier. In the case of cotton, the United States may regain some of the market share lost last year.

Economic situation. The Korean economy recovered somewhat last year as the rate of inflation dropped to about 14 percent and the gross national product (GNP) expanded by roughly 7 percent. This economic growth stemmed largely from both the favorable tone of exports and the improved performance of the agriculture, fishery and forestry sectors.

The improvement in agriculture was led by a sharp recovery in the nation's rice crop.

Despite further deterioration in Korea's trade balance last year—to a $5.3 billion deficit—farm commodity exports increased by 20 percent. This outpaced the 18-percent rise in agricultural imports.

The government is optimistic about the economy this year, and hopes to see growth of 6 to 7 percent, with inflation perhaps dropping as low as 10 percent.

Agricultural production. The production index for agriculture, fishery and forestry rose 23 percent last year after a poor performance in 1980. Although last year's rice crop was considered only average, the harvest of 5.1 million metric tons (milled basis) was more than 25 percent greater than the previous crop. Plans for 1982 call for a rice crop of 5.5 million tons, the same target as last year.

The production of barley—the only other important home-grown grain—continued to slide, primarily because of a lack of economic incentives for producers. Barley output is expected to decline even further.

Mill consumption of cotton—an important U.S. export item to Korea—is expected to be about 1.55 million bales (480 lb net), up only marginally from 1981. All of Korea's cotton will be imported, with the United States a major supplier.

Farm trade. By value, rice was the leading U.S. agricultural export to Korea last year, followed by cotton, wheat, and feed grains (mostly corn). Sales of soybeans and hides and skins were also significant.

U.S. rice sales to the Koreans more than doubled in fiscal year 1981, rising to $506 million, compared with $220 million a year earlier.

Overall, Korea's rice imports rose almost threefold over 1980's level to 2.3 million

tons, of which the United States supplied about one-half. But with improved domestic rice supplies this year, U.S. sales are not likely to duplicate last year's performance.

Of the top ten U.S. agricultural exports to Korea last year, only tallow and greases and tobacco declined in both value and volume. Increasing competition from palm oil hurt U.S. sales of tallow and greases, while large domestic carryover stocks caused the decline in tobacco sales.

The flow of U.S. feed grain exports to Korea grew about 10 percent last year, spurred by a recovery in Korea's livestock and poultry industries. At the same time, U.S. wheat sales to the Koreans expanded as a result of their short rice crop.

U.S. Exports to Korea: Top Ten and Total

(In million dollars[1])

Commodity	1980	1981
Rice	220	506
Cotton[2]	474	481
Wheat	287	367
Corn	271	356
Soybeans	121	145
Hides & skins	93	122
Tallow & greases	55	42
Tobacco	45	36
Bird feathers & down	15	25
Grain sorghum	0	9
All exports	**1,618**	**2,136**

[1]Unadjusted for transshipments. [2]Includes linters and raw silk

Although cotton and rice are more important U.S. exports to Korea, the growth in wheat sales to that distant market has been substantial.

Korean wheat consumption now totals more than 2 million tons per year, versus only 400,000 tons in 1960. After 20 years of wheat purchases with P.L. 480 assistance, the Koreans are now paying cash for U.S. wheat.

The shift to cash purchases has not hurt U.S. wheat sales. Last year, they rose 304,000 tons to nearly 2.1 million tons. During the previous 5 years, these shipments ranged between 1.6 million and 2 million tons, putting Korea among the leading U.S. wheat markets worldwide.

Since the mid-seventies, the United States has held the enviable position of being the sole supplier of wheat to the Korean market.

U.S. cotton is another commodity that dominates the Korean market. The volume of U.S. cotton exports declined last year largely because of stiffer price competition and stagnation in Korea's cotton textile industry.

The U.S. share of the Korean cotton market last year dropped to 89 percent from 95 percent the year before. On the other hand, higher prices did lead to a small increase in the value of these cotton exports.

Agricultural policies. Korea's major policy goals for 1982 include: increased food production, especially of rice; larger income for farmers; improvements in the marketing and distribution systems; and better farm management to raise farm productivity through mechanization. ■

The author is the U.S. Agricultural Counselor, Seoul.

Sales to China Higher in 1981

By Jerome M. Kuhl

To lessen its troublesome trade deficit, China scaled back many of its imports in 1981. In recent years, China has been one of the fastest growing markets for U.S. agricultural products. But in fiscal year 1981, U.S. farm exports to China grew at a noticeably slower pace of only 9 percent. Sales did, however, climb to $2.12 billion, compared with $1.94 billion in fiscal 1980.

Despite this slower growth, farm goods still make up more than 50 percent of U.S. exports to the Chinese. And China now ranks fifth among the top U.S. agricultural markets.

The slower pace of 1981 is expected to continue this year and U.S. shipments to China may decline 15 percent. During the first quarter of fiscal 1982, the value of exports—including grains, cotton and soybeans—fell one-fourth.

Agricultural production. A major feature of Chinese agriculture in 1981 was a shift out of grain and into cash crops, such as cotton and oilseeds. Despite a 2.6-million-hectare reduction in the area sown to grain crops, output (including soybeans and tubers) rose by 7 million metric tons to 325 million tons, the second largest crop on record.

These gains were achieved in spite of adverse weather, which ranged from severe drought in the North China Plain to serious flooding in Sichuan and the northeast.

Output of most major cash crops scored big increases in 1981, reflecting both increased area and better yields.

Summer grains area dropped over 1 million hectares, but production managed to increase 4 million tons over the 1980 crop to 60 million tons, despite serious drought problems.

Chinese rice production in 1981 is estimated at a record 144 million tons, up 5 million tons over the previous year. But a record crop is not likely because of cold fall weather in much of southern China.

The Chinese reduced the area sown to corn and poor spring weather limited

yields in North China. But coarse grain production still held up in 1981 and is estimated at 82 million tons, roughly the same level as in 1980.

Devastating floods in northeast China, where most soybeans are produced, held the harvest to 8.1 million tons, only 2.8 percent above the year before. The Chinese are expecting larger gains in 1982.

Area planted to cotton increased in 1981, largely in North China. Cotton yields in North China remained high, while those in central China recovered somewhat from the previous year's low levels. The larger commitment of land proved to be a success, as cotton production probably approached a record of nearly 3.0 million tons, a healthy 10-percent rise over 1980.

Oilseed production (mainly rapeseed, peanuts, sesame and sunflowerseed, but not cottonseed and soybeans) grew significantly again in 1981, reflecting increased area. Output reportedly climbed 17 percent over the previous year to 9 million tons, a new record.

U.S. Exports to China: Top Ten and Total

(In million dollars[1])

Commodity	1980	1981
Wheat & flour	671	1,354
Cotton[2]	755	481
Soybeans	201	136
Corn	226	109
Soybean oil	56	17
Tallow & greases	16	6
Hides & skins	9	6
Other veg. oils, waxes	0	4
Fur skins	1	9
Other livestock prods.	0	11
All exports	**1,937**	**2,118**

[1] Unadjusted for transshipments [2] Includes linters and raw silk

Chinese consumers should find it easier to indulge their penchant for tea and cigarettes this year. Tobacco and tea production also jumped sharply as a result of increased plantings and better prices paid to farmers. Flue-cured tobacco production reportedly hit a record 1.15 million tons, which will help alleviate a serious shortage of medium-quality cigarettes in China.

Above: Shanghai, China

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Tea output in 1981 rose to 330,000 tons, as new plantations came into production and good weather helped yields.

The outlook for Chinese pork production is not too promising at this point. Farmers have been reluctant to increase hog numbers despite government encouragement to boost meat production.

A sow selloff, which began in 1980 and continued into early 1981, probably limited meat output in the second half of the year. Swine numbers are expected to be down again when the government releases year-end statistics for 1981.

Cattle and sheep numbers are thought to have grown last year. But this increase will not offset sluggish pork production, since beef and mutton account for only about 6 percent of Chinese meat consumption.

Farm trade. China continued to be the biggest buyer of U.S. wheat in 1981—the first year of the U.S.-China grain agreement. Shipments of wheat increased in both value and volume, but there was a drop in exports of other commodities, notably corn, soybeans, soybean oil, tallow and cotton.

China is still the largest U.S. market for cotton. But China's imports fell sharply in 1981 because of its large domestic crop and poorer prospects for its exports of manufactured cotton goods.

Agricultural policies. Chinese policy statements in 1981 reflected general satisfaction with the pragmatic agricultural policies adopted in 1979. But they also exhibited concern about the burgeoning cost of subsidies the government is paying to hold the line on consumer prices.

Subsidies for staple foods in 1981 reportedly amounted to more than three times the level in 1978.

Although there has been some discussion about how to reduce the consumer subsidies, the Chinese leadership has remained committed to their obviously successful farm policies. Generally, the Chinese have encouraged the expansion of private plots, stronger incentives for farmers, and the transfer of more decisionmaking and resources to local production teams. ■

Canada Remains Steady U.S. Farm Customer

By Alexander Bernitz

Canada maintained its position as the sixth most important market for U.S. agricultural exports in fiscal 1981. A 16-percent increase in the value of U.S. farm exports to Canada, including transshipments, brought sales up to almost $2.09 billion. The result was a positive farm trade balance for the United States of around $1 billion. Canada's recession and the lower value of the Canadian dollar probably will keep sales of U.S. farm products to Canada at around last year's level.

Leading U.S. farm exports to Canada last year included: vegetables and preparations; sugar and tropical products; and fresh fruit other than citrus.

Economic situation. Canada's economic prospects for 1982 are not very encouraging. Growth will be very modest—if any occurs at all. Recovery from the recession that began in October 1981 is not expected until the second half of 1982. Meanwhile, inflation will continue at double-digit rates, although minor improvement over the 1981 average of 12.5 percent looks likely.

Canada's interest rates will probably remain substantially above those in the United States because of its higher inflation rate and the Canadian government's effort to prevent too steep a decline in the value of the Canadian dollar vis-a-vis its U.S. counterpart.

Agricultural production. Canadian grain production rose sharply in 1981 as a result of a 12-percent increase in seeded area and generally higher yields. Canadian statisticians estimate 1981 wheat production at 24.5 million metric tons, up 28 percent, while coarse grain output rose 18 percent to 25.7 million tons.

For 1982, the area seeded to wheat is expected to remain stable or perhaps decline slightly. Coarse grain plantings may decline because of large stocks of barley on the prairies. Corn area, which has grown significantly over the past few years, should remain relatively large due to strong export demand from the USSR.

U.S. Exports to Canada: Top Ten and Total

(In million dollars[1])

Commodity	1980	1981
Vegetables & prep.	236	315
Sugar & trop. prods.	150	202
Other fresh fruit	131	162
Cotton[2]	95	113
Fruit juices	97	103
Fresh citrus	89	94
Soybean cake & meal	83	85
Soybeans	97	82
Fur skins	72	77
Corn	66	73
All exports	**1,750**	**2,089**

[1]Unadjusted for transshipments. [2]Includes linters and raw silk.

Low oilseed prices and large stocks caused a further reduction in oilseed area in 1981. Rapeseed output fell 5 percent and soybean production was down 12 percent. Flaxseed output rose 3 percent because of much improved yields. For 1982, rapeseed and flaxseed area should increase significantly in response to relatively small stocks. Soybean area will likely remain relatively stable.

Canadian beef and veal production rose about 5 percent in 1981, spurred by imports of 152,000 head of slaughter cattle from the United States.

Buoyed by strong exports, provincial support payments and a national stabilization program for producers, pork output fell only about 1 percent in 1981. This marked the first decline in hog production in Canada in 6 years.

Net farm income reached a new record of Can $4 billion in 1981, but it was not shared equally by all sectors. Cattle and hog producers suffered in comparison to grain producers. As in the United States, farm operating expenses rose at a record pace, with interest rates and energy-related costs leading the way.

Farm trade. Canada's grain exports in 1981/82 are forecast at slightly more than 24 million tons. This would be another record for Canadian grain sales overseas and well above the 1980/81 level of 21 million tons. The higher level of movement will likely be achieved because of Canada's expanded hopper car fleet and plentiful supplies of grains on the prairies.

Wheat and barley shipments should both rise significantly, since the USSR has agreed to purchase nearly one-third of Canadian exports of these grains. Corn exports, which more than tripled in 1980/81 to 1.1 million tons, should remain near that level in 1981/82 because of strong demand from the USSR and Cuba.

Rapeseed exports are projected to approach last year's level of 1.4 million tons, which will cause carryover stocks to drop to a very low level. These low supplies during the latter part of 1981/82 may cause a stronger demand for U.S. soybeans and soybean meal by livestock and poultry feeders in eastern Canada.

The strong U.S. dollar has helped expand Canadian exports of beef, veal and pork to the United States. The United States now buys about 85 percent of Canada's beef exports and 60 percent of its pork exports.

Agricultural policies. The Canadian parliament passed a Meat Import Act last year to regulate imports of beef and veal. Up to that point, Canada was the only major beef importer without a law aimed directly at beef imports. Legislation was also introduced in parliament late in 1981 to establish CANAGREX, a government corporation to assist food and agricultural exports.

Cattle and hog producers are being encouraged by the government to join turkey, egg, broiler and dairy farmers in using supply management systems. Farmers using these systems have not suffered as much from economic difficulties. ■

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Germany Trims U.S. Farm Purchases

By Dale B. Douglas

Germany's economic downturn and the stronger dollar resulted in a 6-percent decline in U.S. agricultural exports to West Germany during fiscal year 1981. However, the Germans still spent $1.7 billion on food from the United States. And West Germany was the seventh largest market for U.S. farm goods.

The value of U.S. farm exports to Germany this year could expand slightly mainly as a result of expected increases in exports of soybeans. However, sales of U.S. grains might suffer because of larger German—and European Community (EC)—supplies.

Economic situation. The nearly continuous growth in West Germany's economy came to a halt last year.

Preliminary figures for 1981 show a decline of one-half of 1 percent in the country's real gross national product (GNP). On top of this, the private consumption component of the GNP fell even more—about 1.2 percent. Forecasters are now predicting an economic recovery in the second half of 1982, with the expected growth in GNP for the full year falling between one-half and 1 percent.

Agricultural production. Germany's 1981 growing season was characterized by generally favorable weather, though an abnormal cold snap from mid-April to early June affected production of winter rye, barley and fruit. Grain output for 1981 is estimated at 22.8 million metric tons, or 1.1 percent under the 1980 total. Reduced grain area was offset somewhat by greater yields of summer grains.

The cold spring weather and severe frosts led to a drastic 49-percent drop in the 1981 deciduous fruit crop. On the plus side, German farmers produced a tremendous sugar beet harvest. And sugar production is seen rising some 22 percent to a record 3.65 million tons (raw sugar equivalent).

Milk production probably will register only a fractional increase versus the 3.6 percent growth in 1980. Preliminary figures show meat production was off about 1 percent last year, with poultry being the only sector logging a gain for the year. A similar performance is seen for both the dairy and meat sectors again in 1982.

U.S. Exports to Germany: Top Ten and Total

(In million dollars[1])

Commodity	1980	1981
Soybeans	363	520
Corn	185	188
Tobacco	206	183
Soybean cake & meal	231	168
Tree nuts & prep.	202	155
Feeds & fodder	114	98
Fur skins	93	76
Cotton[2]	76	44
Vegetables & prep.	25	38
Other oilseeds	109	34
All exports	**1,838**	**1,723**

[1] Unadjusted for transshipments. [2] Including linters and raw silk

In the 1980/81 crop year, per capita farm income in Germany eroded by about 12 or 13 percent and prospects for this crop year do not appear much better. A further 5- to 10-percent decline is expected.

This gloomy outlook stems largely from the fact that production costs this marketing year will probably almost double the gain in prices paid to German farmers.

Farm trade. One of the world's largest agricultural markets, Germany imported $23.1 billion worth of farm products in fiscal 1981. Still this was an 11-percent drop from the previous year's import bill. Agricultural exports, consisting mainly of dairy and meat products, rose slightly to $10.9 billion—leaving Germany with a farm trade deficit of more than $12 billion.

German import figures include shipments received through the Netherlands and other countries. These figures show the country taking $2.7 billion worth of U.S. farm products in fiscal year 1981—or $1 billion more than U.S. export figures show. More than 80 percent of the difference between German import statistics and U.S. export numbers is accounted for by oilseeds, oilseed meal and grains transshipped into West Germany.

Soybeans retained the top spot in fiscal year 1981 as the leading U.S. agricultural export to West Germany. On a value basis, export sales of U.S. soybeans were more than double the next best selling item (corn). But by volume, the gain was not as dramatic. It was, however, still substantial as sales rose from 1.3 million tons in fiscal year 1980 to 1.8 million last year.

U.S. exports of soybean cake and meal dropped in both value and volume, largely because of the fluctuating exchange rate between the dollar and the mark and the relatively high prices for soybean meal. These high prices made corn gluten and peanut, rapeseed and coconut meal more attractive to German importers.

Sales of U.S corn to the West Germans rose $3 million last year. Higher unit values made up for a falloff from 1.5 million tons to 1.3 million tons.

On a tonnage basis, U.S. trade data show that oilseed, grain and feed products made up more than 95 percent of U.S. sales to Germany. This reflects the fact that German farmers earn about 70 percent of their farm income from the sale of livestock products.

The leading gainers among U.S. exports in fiscal year 1981 were: vegetable oils, waxes and products, +143 percent; beef and veal, +70 percent; pork,+62 percent; vegetables and preparations, +53 percent; soybeans, +43 percent.

Agricultural policies. The farm policies of the EC have a critical impact on German agriculture. The leading issues this year are the levels of increase in EC agricultural prices and the continuing decline in farm income. Other top items are the reform of the Community's agricultural policies (particularly as they affect surplus production) and Germany's financial contribution to the EC's agricultural budget. ■

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U.S. Sales to Soviets Gain, Despite Partial Trade Embargo

By Harlan J. Dirks

The Soviet Union continued to rank as the United States' eighth largest market for agricultural exports during fiscal year 1981. This occurred in spite of the partial embargo on U.S. agricultural sales in effect for 15 months out of the past 2 fiscal years.

U.S. agricultural exports to the USSR totaled $1.57 billion, up slightly more than a tenth from the fiscal year 1980 level. Further gains are expected this year, with the total now projected to be around $2.3 billion.

Economic situation. The Soviet press has reported that national income grew

U.S. Exports to USSR: Top Ten and Total

(In million dollars[1])

Commodity	1980	1981
Corn	691	753
Wheat	395	715
Tallow & greases	30	54
Almonds	22	19
Hops	6	16
Sugar	4	6
Soybeans	213	—
Barley & oats	22	—
Soybean oil	16	—
Peanuts	4	—
All exports	**1,403**	**1,573**

[1] Unadjusted for transshipments.

by 3.2 percent in 1981, compared with the 3.4-percent increase Soviet planners had forecast and the 3.8 percent actually achieved in 1980. Production plans in a number of categories, including mineral fertilizers, were not fulfilled.

The Eleventh 5-Year Plan (in effect for 1981-85) emphasizes increasing labor productivity and enlarging the share of consumer goods in overall Soviet production.

Agricultural production. As a result of severe drought, production fell short of targets for most major crops last year, according to a government report published in January. Among the most disappointing crops were sugar beets and sunflowers, for which production was the lowest in nearly 20 years.

The only bright spot in the report was the cotton harvest, which totaled 9.6 million metric tons and exceeded the plan's goal by 4 percent.

The Soviets were conspicuously silent in the report about 1981 grain production. For the first time since 1965, no mention was made of the harvest total, although the report did acknowledge that grain crops were severely affected by the summer drought. (Without the preliminary harvest figure, USDA is continuing to estimate 1981 Soviet grain output at 175 million tons—61 million below plan and the smallest since 1975.)

Feed supplies also were not mentioned in the report, but domestic output is thought to be insufficient to meet needs.

Soviet planners made a real effort to maintain livestock inventories last year, despite the severe deterioration in the feed base.

In fact, the number of cattle on Soviet farms as of January 1 was up by roughly 600,000 head over the previous year. However, the increases came at the expense of productivity—slaughter weights for both cattle and hogs, as well as milk yields per cow, were down from year-earlier levels. Hog numbers on January 1 were down by 200,000 head from a year earlier, reflecting an acute shortage of feed grains.

Farm trade. The bulk of U.S. exports in fiscal year 1981 continued to be grains, which amounted to $1.47 billion (8.6 million tons). Last year's export volume was sharply below the 15.1 million tons of fiscal year 1979 when there were no restrictions on U.S. exports.

The effects of the embargo could also be seen by the fact that there were no recorded sales of soybeans or soybean oil even after trade restraints were lifted in April 1981.

U.S. agricultural imports from the USSR are small, amounting to only about $10 million annually. The major import items are furs, casein, raw cotton, tea and certain tobacco products.

Agricultural policies. The disappointing crops in 1981 have not led to a scaling down of 5-year plan goals. Soviet leaders have targeted farm output in 1982 at 136.5 billion rubles, up 14 percent from 1981 and fractionally ahead of the goal for last year. The target for grain production during 1982, as derived from projected growth, is 238 million tons.

The plan for 1982 continues the commitment to improve private agriculture, which is projected to account for 10 percent of planned growth in agricultural output.

Soviet agricultural trade policies are concentrating on securing steady access for needed commodity imports.

For example, the Soviets negotiated a number of long-term agreements during 1980 and 1981 with Argentina, Brazil, Canada and India for purchases of grains and soybeans and with Argentina and New Zealand for meat and dairy products. (See *Foreign Agriculture, April 1982.*)

In addition, the Soviets have a number of short-term bilateral agreements for several commodities. In most cases actual sales are expected to exceed the amounts specified in the agreements, particularly in the case of grains and soybeans and products.

These agreements are likely to make it difficult for the United States to recapture some of the business lost in the past 2 years as a result of the trade embargo.

The most significant losses from the embargo were in grains—where the U.S. share of the Soviet import market dropped from 68.5 percent in 1979 to only 23.5 percent in 1980 (the latest data available)—and soybeans—where the U.S. share plummeted from 96 percent to 29.2 percent.

During the same period, Argentina's share of the Soviet grain market grew from 6.4 to 23.7 percent, and its share of the soybeans market jumped from zero to over 60 percent. Canada's share of the grain market rose from 13.3 percent to 24.8 percent during this same period. ■

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Sales to Italy Hold Up, Despite Stronger Dollar

By Mollie J. Iler

For Italy, 1981 was a year of economic decline. But U.S. farm sales to the Italians in fiscal 1981 reached $1.15 billion, only about $50 million less than the year before. Last year, Italy ranked as the ninth largest export market for U.S. farm products.

U.S. agricultural exports to Italy could rebound slightly in 1982 because of the expected rise in shipments of U.S rice, soybean meal and soybeans.

Economic situation. As 1982 opened, the Italian economy was still in the grip of the recession that began in mid-1980. For agriculture, the only good news was an improvement in the country's large agricultural trade deficit.

Italy's gross domestic product (GDP), which fell an estimated 1 percent in 1981, could register a small gain in 1982 if the economy turns upward in the second half of the year.

Inflation eased slightly in late 1981, but it was still 18 to 19 percent, well above most of Italy's European trading partners. Inflation could ease further this year, but again it depends upon the economy's performance. Unemployment increased sharply in 1981 to 8.8 percent and could go higher this year.

Agricultural production. Last year, Italy's agricultural production declined about 2 percent in real terms. Livestock production accounted for 41 percent of the value of total output (versus 39.9 percent in 1980), while annual crops accounted for 34 percent (33.6 percent in 1980) and tree crops 25 percent (26.5 percent in 1980).

Largely because of a late, cold spring, production from tree crops slipped around 8.2 percent, including 13 percent for wine and 20 percent for olives. A 10-percent decline in apple and pear production nearly wiped out gains for peaches, table grapes and almonds. Citrus production skidded 5 percent because of an autumn drought.

In the cereal sector, Italy harvested a record corn crop, but drops of 6 percent for rice and 4 percent for wheat were recorded. Other cereal crops were stable.

U.S. Exports to Italy: Top Ten and Total

(In million dollars[1])

Commodity	1980	1981
Corn	256	276
Soybeans	269	250
Soybean cake & meal	188	174
Wheat & wheat flour	102	153
Tobacco	66	66
Cotton[2]	60	22
Barley & oats	12	34
Hides & skins	49	11
Seeds	21	22
Fur skins	26	25
All exports	**1,198**	**1,148**

[1] Unadjusted for transshipments. [2] Includes linters and raw silk.

Sugar beet output reached a new high of 1.7 million metric tons (up 12 percent), while greater sunflowerseed production largely compensated for a small decline in tobacco.

Final data for Italy's important livestock sector were not available at press time, but it appears that milk production declined slightly last year. Livestock prices, however, improved a little toward the end of the year, especially for swine.

Average net returns to farmers fell again in 1981. Although farm prices rose 10 to 15 percent, the gain was well below the inflation rate. Costs of some farm inputs rose at an even higher rate than inflation.

The value of all Italian imports rose an estimated 28 percent while exports grew only 8 percent. Agricultural trade is the country's second highest deficit

item after petroleum. And it contributed to Italy's 1981 current account deficit, but to a lesser degree than in 1980.

Farm trade. One bright spot in Italy's farm picture was a decline in the huge agricultural trade deficit, estimated at about $8 billion in fiscal 1981, compared with $10 billion in 1980. (The sharp increase in the value of the U.S. dollar in this period exaggerates the actual improvement.) In lire terms, Italy's 1981 farm trade deficit was about 8 trillion lire, around 8 percent less than in the previous year.

The reduced 1981 deficit stemmed from the good agricultural performance in 1980 and slowing consumer demand.

Livestock and meat imports, which expanded about 11 percent in value, continued to be the largest farm deficit category in 1981.

The United States supplies about 10 percent of Italy's agricultural imports. Food, feed grains, oilseeds and oilseed cake and meal account for over two-thirds of these U.S. shipments.

Larger wheat exports to Italy last fiscal year failed to offset smaller U.S. sales of most other bulk commodities. The decline in U.S. farm exports to Italy of 4 percent in value and 7 percent in volume, is mainly attributed to reduced demand for feed grains by Italy's distressed livestock industry.

Higher prices and smaller supplies of U.S. cotton and hides and skins also played a role in the decline in U.S. sales.

One of the most important trade factors in fiscal 1981 was the sharp gain in the value of the dollar, which tended to discourage unessential purchases. At the same time, Italian traders reduced stocks in the face of high domestic inflation and money costs.

Agricultural policy. There were few new initiatives in agricultural policy in Italy last year. Reduced budgets hampered the implementation of Italy's current 10-year development plan for agriculture.

In the EC's ongoing discussions about reforming its budget and Common Agricultural Policy, the Italians have been pressing for additional support for Mediterranean products, plus more help in restructuring agriculture in the poorer regions of southern Italy. ■

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Taiwan's Imports Hit Plateau

By Margaret S. Campbell

In fiscal year 1981, exports of U.S. farm products to Taiwan remained stable at around $1.1 billion. And Taiwan held onto its position as the tenth ranking U.S. market. Both the value and quantity of U.S. farm exports are expected to grow in fiscal year 1982 as Taiwan's economy recovers from the effects of a global economic slowdown last year.

While the total value of some exports was lower last year—corn, cotton, hides and skins, fresh fruit (excluding citrus) and tobacco—the value of other exports rose dramatically. The most significant increases were in sales of pork (303 percent), grain sorghum (266 percent), barley and oats (150 percent), nonfat dry milk (150 percent), seeds (100 percent), and soybeans (37 percent).

Economic situation. High interest rates, greater energy costs and recessions in most of its major trade partners hurt Taiwan's economy in 1981. The island's real gross national product (GNP) grew by only 5.6 percent, falling short of its 7.5-percent target. This was well below the 9-percent average annual growth rate between 1952 and 1980. Taiwan's 1982 target for GNP growth is an optimistic 8 percent, but 5.5 to 6.5 percent is more likely.

Taiwan's international trade in 1981 was $44.7 billion, and it managed to achieve a record surplus of $1.6 billion. The United States continued to be its major trading partner. Last year trade between the two nations was $12.9 billion, with Taiwan running a $3.4-billion trade surplus with the United States.

Taiwan's per capita GNP reached a new peak of $2,567 in 1981, the fourth highest in Asia. The island's low rate of unemployment was equally impressive—a meager 1.5 percent.

Faced with stiffening competition from other Southeast Asian countries and China, Taiwan must make some structural changes in its economy if it is to maintain the strength shown in the last three decades. Specifically, the country must shift from labor-intensive to technology-intensive industries in the 1980's.

U.S. Exports to Taiwan: Top Ten and Total

(In million dollars[1])

Commodity	1980	1981
Soybeans	233	320
Corn	280	236
Wheat & flour	115	115
Cotton[2]	207	110
Grain sorghum	16	58
Hides & skins	43	42
Fresh fruit (ex. citrus)	42	42
Barley & oats	16	41
Tobacco	62	36
Other livestock prod.	20	32
All exports	**1,109**	**1,105**

[1] Unadjusted for transshipments. [2] Includes linters and raw silk.

Agricultural production. Taiwan's goal for agricultural production is to build the output of basic foods, including fruits and vegetables, livestock, poultry, pork and feed grains. The island is not self-sufficient in feed grains, wheat or soybeans, and must rely heavily on imports. Likewise, it must import cotton, hides and skins, and high-quality tobacco for its manufacturing and re-export of finished goods.

Milled rice production has gone down steadily since 1976 when it peaked at 2.5 million metric tons. Since rice production exceeds demand, authorities are seeking ways to cut output further.

The rice production target for 1982 is 2.1 million tons, but output is expected to exceed that level. Although 50,000 hectares must be taken out of production to keep the rice harvest from going over the 1982 target, at this time only 20,000 hectares have been identified for conversion. Alternative crops would include sugarcane, corn and soybeans.

Cotton production by the nation's farmers is insignificant when compared with the demand of the island's textile industry. Taiwan is expected to import 1 million bales of cotton in 1982, with about 75 percent coming from the United States.

Farm trade. In an effort to redress the overall trade imbalance with the United States, Taiwan renewed its "Buy American Policy" and negotiated its third 5-Year Grain Procurement Agreement with private U.S. exporters.

The United States is Taiwan's major supplier of soybeans. U.S. soybean exports to that market in 1982 are expected to rise to 1.1 million tons, a slight increase from the 1981 level. The minimum purchase commitment in the 5-Year Soybean Procurement Agreement in 1981/82 is for 900,000 tons.

Taiwan bought 1.7 million tons of corn from the United States in 1981, which accounted for 61 percent of its corn imports. Purchases from the United States in 1982 are not expected to differ dramatically. The minimum purchase commitment for corn in the 5-Year U.S.-Taiwan Corn Procurement Agreement is 1.55 million tons for 1981/82.

Corn imports from all sources were slightly higher last year, reflecting higher domestic feed consumption. But Taiwan's stagnant livestock production has kept the lid on growth in the demand for feed grains.

U.S. cotton exports to Taiwan declined by 53 percent in quantity and 47 percent in value in 1981. A slowdown in the island's textile industry in response to slack world demand contributed to this substantial decline.

Lower cotton prices will probably cause U.S. cotton exports to Taiwan to move back up to the 1980 level. The hoped for recovery in the nation's textile industry by the end of 1982 could support stronger U.S. cotton sales. The United States is expected to supply Taiwan with 75 percent of its cotton imports in 1982.

Agricultural policy. Taiwan's policy objectives for food and agriculture are to maintain self-sufficiency in the production of rice, fruits and vegetables, poultry and pork and to increase output of the major grains. The government also is working to expand and improve transportation and marketing. Taiwan will continue to use imports and exports of agricultural products as a means to control surpluses and make up for shortfalls in production. ■

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Resurgence Seen in Exports to Spain

By Fred W. Traeger

U.S. agricultural exports to Spain declined moderately in fiscal year 1981 to $1.43 billion. The reasons for the decline were a record 1980/81 Spanish grain harvest, a poor economic situation, and the appreciation in the value of the U.S. dollar. (Editors Note: If not adjusted to include transshipments and shipments to the Canary Islands, the total is $1.05 billion.)

U.S. agricultural exports to Spain are expected to rise to a record level during the current fiscal year as a result of drought-reduced Spanish crops in 1981 and increased tourist demand.

Economic situation. An economic slump continued to plague the Spanish economy in 1981, with unemployment exceeding 15 percent, inflation at 14-15 percent, and economic growth at roughly 1 percent.

Growth in the Spanish economy is expected to remain slow in 1982. The outlook calls for unemployment to continue rising. Other factors limiting growth include weak domestic demand and a lack of business confidence.

In all, economic growth may increase to about 2 percent, primarily because of additional tourist and other income generated from Spain's hosting of the 1982 World Soccer Cup. The number of incoming tourists in 1981 reached a record of over 40 million, bringing in over $6 billion in foreign exchange.

Agricultural production. Farm output dropped about 9 percent in 1981, as a consequence of the worst drought and heat wave to hit Spain in over 100 years. The grain crop fell from 15.7 million metric tons in 1980 to 11.5 million tons, while oilseed, pulse and pasture output also plummeted. Production of wheat, barley, sunflower, olive oil and pulses slumped 40 to 50 percent.

Even the normally drought-resistant wine grape crop was down 20 percent. Only irrigated crops—such as cotton, corn, rice, sorghum, sugar beets, citrus, deciduous fruits, and vegetables—held up relatively well. The livestock and poultry sectors also continued to expand as both tourists and Spaniards consumed more meat.

U.S. Exports to Spain: Top Ten and Total

(In million dollars)

Commodity	1980	1981
Corn	471	660
Soybeans	589	483
Tobacco	77	94
Cotton	48	25
Nuts & prep.	32	24
Grain sorghum	78	22
Tallow	21	19
Hides, skins & furs	25	17
Poultry meat	12	12
Wheat	76	9
All exports	**1,513**	**1,427**

[1] Adjusted for transshipments. Includes sales to the Canary Islands.

Agricultural prospects for 1982 are somewhat better since above-normal rainfall last December and in early January eased drought conditions. Nevertheless, above-average rainfall is needed throughout late winter and spring to bring reservoir waters to near normal levels so that irrigation restrictions will not be necessary this summer.

Spain's grain crop is 2 to 3 months late because of delayed rains last fall and much depends on spring rains. For these reasons, grain production is likely to be moderately below average in 1982. Consequently, overall agricultural output is expected to be only about average this crop year.

Farm trade. Largely because of the record grain crop in 1980, which permitted grain exports last year of $325 million, Spain's agricultural trade deficit narrowed in 1981.

Spain's agricultural imports during 1981 totaled about $3.6 billion, while its agricultural exports are placed at $3.4 billion.

Spain's leading agricultural imports included 3.0 million tons of soybeans valued at $850 million and 4.8 million tons of corn valued at $730 million. Its leading agricultural exports were 1.3 million tons of citrus valued at $700 million; about 1 million tons of fresh vegetables ($400 million); and about 600,000 tons of wine ($400 million).

Of particular note were U.S. sales of corn to the Spanish. These reached a record large 4.3 million tons (including 1.5 million tons transshiped through Canada), valued at $670 million. This placed Spain among the top three markets for U.S. corn.

Because of last year's drought-reduced grain crop in Spain, U.S. exports to Spain are likely to show a substantial increase this fiscal year.

U.S. sales of corn to Spain are expected to rise again to a new high of about 5 million tons, sorghum shipments may reach 700,000 tons and barley sales may go up to 500,000 tons. Spanish purchases of U.S. soybeans are expected to total about 2 million tons. Most other U.S. agricultural exports to Spain are forecast to be at about historical averages.

Agricultural policy. A major goal of the government is to prepare for Spain's entry into the European Community (EC). The agricultural sector has already adopted many of the EC's Common Agricultural Policy (CAP) schemes and government support prices are being brought into closer alignment with EC prices.

Spain is pressing for further negotiations on its EC accession, but the Community is delaying on such negotiations pending its reform of the CAP and internal budgetary adjustments.

Officially, the date for Spain's accession into the Community is still set for January 1, 1984, but many sources expect it to be put off until 1985 or 1986, with a 7- to 10-year transition period. ■

The author is the U.S. Agricultural Counselor, Madrid.

Marketing News

U.S. Beef Scores Big in West Germany

"This is the best endorsement U.S. beef could have in Germany," explained Willem Zerk, the **U.S. Meat Export Federation's (MEF)** director in Hamburg. Zerk was commenting on recent action taken by Movenpick—a leading European hotel and restaurant chain and a supplier of premium food products. Movenpick has given its exclusive endorsement to U.S. portion-controlled beef in West Germany. The company will market U.S. meat to restaurants, retailers and wholesalers and back its efforts with a nationwide advertising campaign.

U.S. beef scored again at West Germany's Green Week Fair, Europe's largest agricultural consumer fair. The fair was held Jan. 22-31 in Berlin. More than 7,000 pounds of U.S. beef were sold and MEF made a lot of new trade contacts, particularly with the hotel and restaurant industry.

U.S. Wheat Getting into New Markets

In late February, the first Fast Food Team from China's Ministry of Cereals visited Hong Kong under the auspices of **U.S. Wheat Associates (USW).** To the Chinese, the term "fast food" refers to wheat foods that can be prepared more quickly than traditional Chinese cuisine, and it includes sandwiches, instant noodles, pastries and cookies. The rapid growth in the consumption of these foods in Hong Kong indicates the potential of the U.S. wheat program in China. While meeting with the Chinese in Hong Kong, USW vice president Fred Schneiter also pursued plans for cooperative projects such as the instant noodle plant opening in Shanghai this summer and construction of a pilot flour mill in Beijing.

USW representatives are busy in other parts of the world as well: Looking for wheat sales in Spain, where last year's drought reduced supplies and the best wheat for milling has already been used; meeting with South African government and industry officials, who expect to import wheat regularly, even though South Africa is a net exporter; and reviewing programs and renewing government and trade contacts throughout Latin America and in Greece, Israel and Italy. USW teams also visited Indonesia to explore the potential for adding new third-party cooperators and helping Indonesia upgrade the diet of its army with wheat foods. In addition, USW has renewed market development activities in Syria after a lapse of 4 years. Representatives got a warm reception from government officials during their recent visit to Damascus.

New Face on the Wood Marketing Scene

The newly created **Wood Products Promotion Council** has entered the market development scene. It will step up and coordinate efforts to build demand for wood products.

Feed Grain Breakthrough in the GDR

The **U.S. Feed Grains Council's (USFGC)** recent marketing mission to the German Democratic Republic (GDR) removed obstacles that prevented U.S. exporters from taking advantage of the potential in that market. The GDR had insisted on a government-to-government cooperative agreement and most-favored-nation status before any U.S. export expansion effort could begin to promote trade. But during their visit, USFGC officials explained the current U.S. feed grain supply-demand situation to GDR officials and detailed some of the export expansion and technical assistance programs the Council can offer. As a result, the GDR Ministry of Agriculture tentatively committed itself to a cooperative program with USFGC without preconditions. The new program will focus on expanding GDR production of sheep, dairy cattle and beef, which USFGC hopes will boost GDR imports of U.S. feed grains by 33-40 percent.

Dry Beans Get Export Push

A trade team representing the **Michigan Dry Bean Industry** visited Venezuela, Costa Rica and Brazil in late January to promote Michigan's experience in producing and shipping dry bean products. The Michigan group will also hold a 3-day dry bean seminar in Faro, Portugal, May 11-13.

Soybean Group Sponsors South American Team

The **American Soybean Association (ASA)** hosted a recent visit by poultry and egg experts from Mexico, Ecuador, Peru, Colombia and Chile. ASA took its visitors to egg farms, poultry research stations, feed mills, and soybean meal processing plants to show them ways to maximize egg production and profitability and increase layer numbers. The goal? Greater U.S. soybean meal consumption in these experts' home countries ... And in Venezuela, ASA is working closely with oilseed crushers and vegetable oil refiners to encourage the use of soybean oil. U.S. soybean oil technicians are making plant visits and holding seminars there and Venezuelans, in turn, are visiting U.S. facilities. One of the Venezuelan companies involved in ASA's activities is now including soybean oil on its vegetable oil label. This year, soybean oil consumption in Venezuela is expected to grow by more than 10 percent.

Label Those Chickens

John MacGregor, London director for the **Poultry and Egg Institute of America (PEIA)**, recently returned from the Middle East with a word of warning for U.S. poultry exporters. New United Arab Emirates' regulations prohibit all imports that do not have production and expiration dates clearly printed on the bag.

"On With Their Heads!"

Exporters selling ducks to Singapore can now leave the heads on—and the feet, too. Singapore's Primary Production Department has advised PEIA that frozen duck may now be imported from approved sources with or without head and feet.

USDA To Push Wood Product Exports

USDA's Foreign Agricultural Service (FAS) will establish a Forest Products Division to expand export promotion of wood products. In addition, FAS will improve training of overseas agricultural counselors in forest products, initiate a broad commodity reporting system that will provide better foreign market information, and expand its export financing for wood products through the Commodity Credit Corporation. It will also strengthen its trade policy activities and further build market development activities—currently a $1.2-million joint government/industry program.

Livestock Fairs To Be Held in Germany and Argentina

The **German Agricultural Society** will hold its international livestock show May 20-26 in Munich. And in Argentina, the **Prado Livestock Show,** which will be held in late August, continues to be a major event. Last year, U.S. judges participated—judging Holsteins and Quarterhorses, helping to promote exports of U.S.-type livestock.

U.S. Wines Featured in Canadian Tastings

USDA and the **Society for American Wines** sponsored recent tastings of California wines in Ottawa, Montreal and Quebec—giving a big push to efforts to get U.S. wines accepted in the Canadian market. In Ottawa, where the event was dubbed "A Classical Experience," 125 members of the society enjoyed wines, food and classical music as three California winemakers explained the virtues of the U.S. products. Influential Montrealers and top members of the liquor board were introduced to the wines at a tasting in Montreal, while legislators and the press were hosted in Quebec.

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